

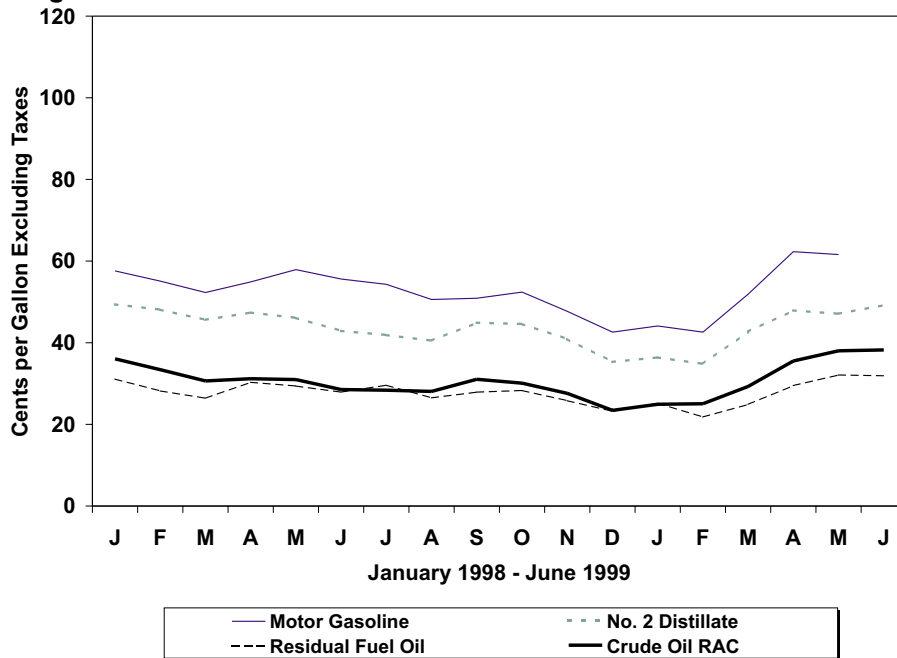
# Highlights

Offsetting May's declines, world crude oil prices rose during June. In the absence of any critical events or conditions to affect markets, fundamental industry factors and relatively minor political actions drove the increases. From the political domain, Venezuelan oil workers threatened a work stoppage at the beginning of the month that caused crude oil prices to rise in international markets. Despite periodic calls to strike that usually fail to materialize, markets latched onto this situation. As a result, futures prices rose as buyers hedged against the outbreak of a strike and the increase in prices filtered down to the spot market level. In other market developments, information regarding compliance rates for nations participating in the Organization of Oil Exporting Countries (OPEC)-sponsored production cuts agreements indicated further improvement. The news raised the level of likelihood for a successful outcome in the effort to reduce the glut of crude oil in world markets. By bringing supply and demand into equilibrium, a more secure foundation for prices can be established. Gradual improvement in refining margins also played a part in rising crude oil prices. At the start of the month, margins in most international markets continued to be tight, and often in the red due to continuing high stock levels of finished products stemming from lower-than-expected consumer demand. In response to these conditions, production runs were curtailed at various European refineries in an effort to draw down existing stocks. At the same time, breakdowns and runs cuts at a number of refineries in the United States slowed production of finished products. These events, combined with reports that U.S. consumer demand for gasoline had risen and stocks had fallen during the first weeks

of June, led crude oil prices up across international markets. By the end of the month, more reports indicating stockdraws in the U.S. and the continuation of reduced crude oil throughputs at European refineries boosted prices to their highest levels since late 1997.

June crude oil and finished product prices in the United States were lifted by a number of factors including declining crude oil wellhead production, unscheduled refinery maintenance, reduced refinery runs, and steady decreases in gasoline stocks. Previous refinery problems on the West Coast were exacerbated by an explosion on the Olympic pipeline at Bellingham, Washington on June 10 that killed 3 people. The pipeline carries gasoline, diesel, and jet fuel from facilities in Washington State south to Portland, Oregon. The incident forced refiners to truck and barge products to destinations normally served by the line and also directly

**Figure HL1. Crude Oil and Petroleum Product Wholesale**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	June 1999		May 1999		June 1998		June 1999		May 1999		June 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	75.7	66.0	78.2	64.5	70.4	66.8	NA	NA	61.6	313.0	55.6	323.9
<b>Conventional</b> .....	72.1	39.7	73.3	39.6	68.3	41.2	57.2	218.3	57.3	211.7	52.8	224.3
Regular .....	68.0	27.8	69.3	27.8	64.4	28.8	55.1	167.1	55.1	163.7	50.7	172.8
Midgrade .....	78.0	6.3	79.0	6.2	73.8	6.5	NA	NA	61.9	15.5	56.6	17.0
Premium .....	85.2	5.7	86.7	5.5	81.3	5.9	NA	NA	66.1	32.4	61.2	34.5
<b>Oxygenated</b> .....	81.7	1.8	83.3	1.7	76.0	2.0	69.9	6.4	71.8	5.8	62.0	6.2
Regular .....	79.8	1.5	81.4	1.4	73.5	1.6	69.2	4.7	71.4	4.3	60.9	4.8
Midgrade .....	86.1	0.2	87.7	0.2	82.3	0.2	NA	NA	67.3	0.9	63.4	0.8
Premium .....	94.9	0.1	96.6	0.1	90.9	0.2	NA	NA	NA	NA	69.7	0.6
<b>Reformulated</b> .....	81.1	24.5	86.2	23.2	73.7	23.5	NA	NA	NA	NA	62.1	93.4
Regular .....	76.8	16.7	82.5	15.8	69.1	15.6	NA	NA	67.5	66.2	58.4	62.7
Midgrade .....	86.5	3.9	90.5	3.7	79.0	3.9	NA	NA	NA	NA	66.6	10.9
Premium .....	93.9	3.9	97.8	3.7	86.6	4.0	NA	NA	NA	NA	71.1	19.8
<b>Aviation Gasoline</b> .....	103.3	0.2	103.5	0.1	99.0	0.2	95.0	1.0	97.8	0.7	93.7	0.8
<b>Kerosene-Type Jet Fuel</b> .....	50.6	51.9	46.8	50.3	42.8	51.3	49.3	14.0	47.2	10.5	43.5	13.2
<b>Propane (Consumer Grade)</b> .....	38.7	2.2	42.4	2.3	34.1	2.2	29.6	27.7	29.0	25.3	26.6	28.8
<b>Kerosene</b> .....	45.0	0.1	49.5	0.1	46.1	0.3	47.5	0.7	45.2	1.1	42.9	1.3
<b>No. 1 Distillate</b> .....	NA	NA	NA	NA	NA	NA	57.0	0.3	56.7	0.3	52.0	0.3
<b>No. 2 Distillate</b> .....	52.4	25.6	51.5	23.7	48.3	26.5	49.2	131.1	47.1	119.6	42.9	125.3
No. 2 Fuel Oil .....	NA	NA	NA	NA	45.8	3.8	NA	NA	43.7	21.0	39.9	23.5
No. 2 Diesel Fuel .....	53.2	21.9	52.1	20.6	48.7	22.6	50.3	108.1	47.8	98.7	43.6	101.8
Low Sulfur .....	55.5	15.0	54.3	13.7	50.4	15.5	50.9	94.1	48.2	85.1	44.0	85.8
High Sulfur .....	48.5	7.0	47.8	6.9	45.0	7.1	46.3	14.0	45.3	13.6	40.9	15.9
<b>No. 4 Fuel<sup>a</sup></b> .....	NA	NA	NA	NA	40.8	0.3	39.6	0.2	NA	NA	36.5	0.1
<b>Residual Fuel Oil</b> .....	NA	NA	34.6	14.7	31.3	13.8	31.9	10.1	32.1	9.6	27.9	18.2
Sulfur Content not > 1 % .....	NA	NA	NA	NA	36.1	3.7	35.0	3.6	34.9	4.9	29.3	6.8
Sulfur Content > 1 % .....	32.7	8.6	33.2	7.8	29.6	10.2	30.3	6.5	29.2	4.7	27.0	11.3

NA = Not available.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

led to reduced refinery runs later in the month. In California, additional refinery breakdowns early in the month caused prices for CARB gasoline and diesel fuel to spike. By mid-month, unleaded regular gasoline and low sulfur diesel fuel reached 83.5 cents per gallon and 74.0 cents per gallon, respectively, on the Los Angeles spot market. While these prices abated later in the month, the refinery troubles and rocketing prices influenced values in markets across the country. In other regional markets, a number of refinery problems also arose throughout the month, leading to reduced product production and higher prices. In addition to the unexpected outages, some facilities were placed on reduced runs due to poor margins. Concurrent with these changes in production levels, a large month-to-month increase in demand for gasoline—more than 6 percent—also contributed to declining stock levels. Furthermore, June data indicate that

U.S. stocks of finished gasoline fell just over 2 percent from last month and, perhaps more notably, show the first year-on-year decline since September 1997.

Additional June market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

After opening at \$16.85 per barrel, the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma continued on an overall upward path during June. The price established its daily average low of \$16.31 per barrel on June 1. The price rose dur-

ing the coming weeks on a mixture of supportive national and international events, including improving compliance to targeted output levels associated with OPEC-sponsored production cuts agreements. Boosted by another round of weekly reports indicating stock declines, the price reached June's high of \$19.33 per barrel on the last day of the month. The month's closing price was the highest level the price had reached since November 1997.

- June average crude oil prices show only marginal changes from May levels. The average domestic crude oil first purchase price increased 50 cents (3.6 percent), to \$14.34 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 53 cents (3.7 percent), to \$14.88 per barrel. The average landed cost of foreign crude oil increased 31 cents (2.0 percent), to \$15.72 per barrel.
- The monthly average refiner acquisition cost for domestic crude oil shows the only decrease, falling 30 cents (1.8 percent), to \$16.29 per barrel. The average cost of imported crude oil to U.S. refiners rose 34 cents (2.2 percent), to \$15.91 per barrel. The composite refiner acquisition cost of crude oil inched up 9 cents (0.6 percent), to \$16.06 per barrel.

## Petroleum Products

### *Motor Gasoline*

During the first month of the summer driving season, the June daily spot price for unleaded regular gasoline at New York Harbor sprang back from last month's declines, regaining all of the ground relinquished during May. Like WTI crude oil, the price for unleaded regular gasoline saw its lowest level, 44.8 cents per gallon, on June 1. Rising throughout the coming weeks based on increased demand, falling stocks, and refinery problems, the price finished the month at its highest level since late 1997. Closing at 53.2 cents per gallon, the price had ranged 8.4 cents per gallon during the course of June.

- June national average gasoline prices show modest changes in both directions from May levels. The average price for retail sales of motor gasoline by refiners fell 2.5 cents, to 75.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at com-

pany-operated retail outlets declined 1.7 cents to 74.0 cents per gallon. The average wholesale price remained flat at 61.4 cents per gallon. The average dealer tank wagon (DTW) price fell 2.1 cents to 70.8 cents per gallon, while the average rack price rose 0.2 cent to 58.5 cents per gallon. The average price for bulk sales increased 2.0 cents to 52.3 cents per gallon. The range between reformulated and conventional gasoline prices fell to 7.4 cents at the retail level. The margin between conventional and oxygenated gasoline prices was 6.9 cents at retail and 10.8 cents at wholesale.

- Sales of finished motor gasoline by refiners generally increased during June. Total retail sales rose 1.5 million gallons per day (2.3 percent). Data reflecting the volume of wholesales are not available.

### *No. 2 Distillate*

Supported by performance of other products' prices with the complex, the daily spot price at New York Harbor for No. 2 heating oil rose throughout June. Opening at 39.6 cents per gallon, the price moved to the month's low of 39.4 cents per gallon on June 2. Following the general upward trend in the market, the price continued to rise during the rest of the month. Closing June at 47.8 cents per gallon, the month's high, the price was more than 8 cents higher than where it began.

- With the exception of residential sales, June monthly average No. 2 distillate prices increased from May levels. The national average residential price declined 1.1 cents to 81.0 cents per gallon, while the average wholesale price climbed 2.4 cents to 49.8 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 0.6 cent, while the average wholesale price increased 2.7 cents. The difference between low- and high-sulfur diesel fuel prices was 4.9 cents at retail and 4.4 cents at wholesale.
- Refiner sales of No. 2 distillate generally increased during June. Sales of No. 2 diesel fuel rose 10.7 million gallons per day (9.0 percent), with low-sulfur No. 2 diesel fuel rising 10.3 million gallons per day (10.4 percent), and high-sulfur diesel fuel rising 500,000 gallons per day (2.4 percent).

### *Residual Fuel Oil*

- Changes in residual fuel oil prices were mixed during June. Refiner prices for low-sulfur residual fuel

barely changed at wholesale, rising 0.1 cent to 35.0 cents per gallon. High-sulfur residual fuel prices fell 0.5 cent to 32.7 cents per gallon at retail, but rose 1.1 cents to 30.3 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price remained flat at 36.1 cents per gallon at retail, and fell 1.5 cents to 34.3 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 0.2 cent to 33.3 cents per gallon at retail, and 1.1 cents to 31.7 cents per gallon at wholesale.

- June residual fuel oil sales by refiners were varied. Total sales of high sulfur residual fuel oil rose 2.6 million gallons per day (20.8 percent), to 15.1 million gallons per day.

### ***Other Products***

- Prices for products included in this section were mixed during June. Refiner propane prices declined 3.7 cents per gallon at retail, but increased 0.6 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price rose 0.3 cent per gallon. The average retail price for propane dropped 1.2 cents, while the average wholesale price increased 0.5 cent per gallon. Prices for kerosene-type jet fuel rose at both retail and wholesale, while aviation gasoline fell at both levels. Prices for kerosene fell at retail and increased at wholesale. The price for No. 1 distillate shows a small increase at the wholesale level.
- Refiner sales of propane declined at retail and increased at wholesale during June. Sales of kerosene-type jet fuel and aviation gasoline rose at both levels, while sales of kerosene fell in both categories. Sales of No. 1 distillate increased at wholesale during June.

